

## **Substantiation**

### **What Do We Mean by a “Fair and Reasonable” Award?**

Loss and damage to household goods during a PCS move can be a hardship. Filing and processing a claim can seem like an inconvenient administrative burden to obtain compensation for that loss. On top of that, it may feel like insult is added to injury when you do not receive full compensation for the loss, but receive what the claims office calls a “fair and reasonable” award. What does that mean? Some explanation may help you to substantiate your claim and avoid misunderstanding during the settlement of your claim.

First, some background. The Personnel Claims Act is not insurance. It is a gratuitous payment statute to provide protection for service members and civilian employees of the Government against risks of loss associated directly with their military or government service. The statute requires claimants to substantiate their loss and limits payment to the value of property at the time of its loss or destruction. Each of the military services has published directives and guidance to implement the statute. Those directives and guidance discuss the amount of substantiation needed to justify payment for claims of loss and damage.

Fair and reasonable awards are used to reimburse claimants when they have substantiated some loss but have not substantiated a loss in the amount claimed. Fair and reasonable awards are used when there is a lack of independent evidence of damage or of value of the destroyed or missing item.

- It may cost more than \$100 to repair a damaged dining room table, but neither a claimant nor a claims office is in a position to accurately evaluate the cost of repairs without the opinion of a qualified expert.
- The value of many items can vary widely depending upon the quality and brand or model of the item. A claimant may assert a replacement cost of \$100 for a crystal champagne flute (generic description) broken in shipment, while independent evidence has not been provided to establish that the value of the item is attributable to a high-value crystal piece. Similarly, when a claimant asserts that a damaged electronic item (computer, television, stereo, etc.) has a high value while the item is listed in only general terms on the inventory, evidence of the specific model (owner’s manual, photos, receipts or inspection) allows the claims office to verify the value.
- Claimants are expected to retain broken items if there is any possibility that there could be a question concerning value. In one case, it was impossible to verify the value asserted by the claimant for a curio cabinet in excess of \$1500. While some curio cabinets can cost as much as \$1800 or more, some can be purchased for approximately \$100. Disposal of the curio cabinet made it impossible to evaluate the claimant’s loss.

How does the claims office determine what “fair and reasonable” award to approve?

- Sometimes, the claims office will apply a cap for damage described on the claims form but is unsupported with an estimate of repair. The cap, generally no more than \$100, may depend on the value of the item and the severity of damage described on the claim form.
- The claims office may award the value of an item having a more reasonable value than the replacement cost item submitted when the claimant has not substantiated the value of the damaged or destroyed item. In such cases, the claims office may consult a local merchant, catalog or Internet price to determine a fair and reasonable local market value of the item described by the claimant. When the claimant and the claims office disagree concerning the value of the item, the claimant should attempt to show the value of the destroyed or missing item with independent evidence while the claims office should show that it has relied on a reasonable local market price to determine the value of the item.

You can avoid the application of a “fair and reasonable” adjudication by pursuing the following courses of actions.

- You should strongly consider obtaining an estimate of repair when you believe that the damage exceeds \$100 in value. Claimants are generally required to provide an estimate of repair or replacement for items having an asserted repair or replacement value exceeding \$100. If the item is not economically repairable, the estimate of repair should reflect that the item is not economically repairable.
- You should provide evidence of the value of the item. A repair cost estimate of \$300 for an expensive dining room table may be reasonable, while the same repair estimate for an inexpensive kitchen table is not. Receipts, photographs and inspections by the claims office may substantiate the pre-damage value of your property.
- An alternative to obtaining an estimate of repair is to provide other independent proof (i.e., photographs or inspection) that the item is damaged and cannot be economically repaired. On one occasion, a claimant provided a picture of his television where major exterior damage was readily apparent. The photograph substantiated the loss and comparable replacement item for the ten-year old television. We adjudicated the loss for the value of the television on the spot without requiring an estimate of repair.

We prefer not to apply fair and reasonable awards, but do so when there is a gap between the amount claimed and the substantiated loss. The Army claims program is a morale program but it is not a “give away” program. Claims personnel are required to administer the program in a fiscally responsible manner. You can help us avoid misunderstanding and the use of fair and reasonable awards by fully substantiating the value of your loss.

If you have additional questions concerning “fair and reasonable” awards or claims procedures, contact your local claims office.